

Western Coventry Fire District

Financial Statements

February 28, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Western Coventry Fire District
Greene, Rhode Island 02827

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Coventry Fire District, as of and for the year ended February 28, 2017, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Coventry Fire District, as of February 28, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-9 and 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Western Coventry Fire District's basic financial statements. The schedule of uncollected taxes is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of uncollected taxes is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of uncollected taxes is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2017, on our consideration of the Western Coventry Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western Coventry Fire District's internal control over financial reporting and compliance.

Dittmar McNeil & Ferolito, CPAs

Dittmar, McNeil & Ferolito, CPAs, Inc.
Warwick, Rhode Island
August 4, 2017

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Western Coventry Fire District
Greene, Rhode Island 02827

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Western Coventry Fire District, as of and for the year ended February 28, 2017, and the related notes to the financial statements, which collectively comprise Western Coventry Fire District's basic financial statements, and have issued our report thereon dated August 4, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Western Coventry Fire District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Western Coventry Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Coventry Fire District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Coventry Fire District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dittmar McNeil & Ferolito, CPAs

Dittmar, McNeil & Ferolito CPAs, Inc.
Warwick, Rhode Island
August 4, 2017

**Western Coventry Fire District
Management's Discussion and Analysis
February 28, 2017**

As Management of Western Coventry Fire District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended February 28, 2017.

FINANCIAL HIGHLIGHTS

- The assets of the Western Coventry Fire District exceeded its liabilities at the close of the most recent fiscal year by \$1,932,215 (net position). The majority of the District's net position is invested in capital assets.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$234,651, the non-spendable prepayments fund balance totaled \$11,459. The committed balance for the rescue services fund was \$342,092. The restricted fund balance for the fire prevention fund was \$2,426.
- The District had revenues of \$728,491 and total operating expenses of \$732,168 for a decrease in net position of \$3,677.
- Actual expenditures were slightly below the budgeted amounts.
- Collections of charges for rescue recovery services decreased by approximately \$32,000 compared to the prior year. The current year collections were in line with the historic average for this account.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) combined government-wide and fund financial statements 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

- Combined government-wide and fund financial statements – GASB No. 34, paragraph 136, provides that for special-purpose governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined.
- The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The statement of activities presents information showing how the District's net position changed during the year.

The financial statements also include notes that provide additional information that is essential to a full understanding of the data provided in the combined government-wide and fund financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**Western Coventry Fire District
Management's Discussion and Analysis
February 28, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT

Net Position

Approximately 69% of the District's net position reflects its investment in capital assets (e.g., land, building, and equipment). The District uses these capital assets to provide fire protection and emergency rescue service for the residents of Western Coventry.

THE DISTRICT'S NET POSITION

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets	\$ 635,266	\$ 552,213
Capital Assets	<u>2,473,475</u>	<u>2,604,994</u>
Total Assets	<u>\$ 3,108,741</u>	<u>\$ 3,157,207</u>
Liabilities		
Current Liabilities	\$ 87,069	\$ 89,574
Long-term Liabilities	<u>1,089,457</u>	<u>1,131,741</u>
Total Liabilities	<u>1,176,526</u>	<u>1,221,315</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	1,341,587	1,432,787
Rescue Service Fund	342,092	254,283
Fire Prevention Fund	2,426	2,439
Nonspendable - Prepayments	11,459	10,990
General Fund	<u>234,651</u>	<u>235,393</u>
Total Net Position	<u>1,932,215</u>	<u>1,935,892</u>
Total Liabilities and Net Position	<u>\$ 3,108,741</u>	<u>\$ 3,157,207</u>

Changes in Net Position

The District's total revenues were \$728,491. For the fiscal year ended February 28, 2017, 83% of the District's revenue was from taxes and interest on delinquent taxes, 16% came from rescue recovery, and 1% came from miscellaneous sources.

**Western Coventry Fire District
Management's Discussion and Analysis
February 28, 2017**

Changes in Net Position – Continued

	Changes in Net Position	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 118,033	\$ 150,290
General revenues:		
Fire taxes	589,746	571,867
Interest on delinquent taxes	15,913	17,887
Investment income	1,749	1,121
Grants	2,000	4,544
Miscellaneous income	1,050	2,968
Total Revenues	\$ 728,491	\$ 748,677
Expenses:		
Salaries and benefits	\$ 336,310	\$ 341,051
Training and administration	7,486	4,466
Insurance	45,739	45,029
Legal and professional	19,756	19,840
Truck and equipment maintenance	53,421	33,002
Building and facility maintenance	34,207	34,147
Rescue supplies and equipment	23,545	8,900
Office supplies	5,736	2,846
Gear and equipment	6,295	5,538
Telephone	3,956	4,050
Depreciation	135,979	145,590
Interest expense	54,650	57,319
Fire alarm capital fund	2,500	2,500
Fire prevention	2,173	701
911 sign program	51	-
Miscellaneous	364	429
Total Expenses	732,168	705,408
Increase (Decrease) in Net Position	(3,677)	43,269
Beginning Net Position	1,935,892	1,892,623
Ending Net Position	\$ 1,932,215	\$ 1,935,892

FUND BALANCES ANALYSIS

The three major funds of the District are the General Fund, the Rescue Services Fund and the Fire Prevention Fund. The Rescue Services Fund was increased by the rescue revenue and decreased by the acquisition of rescue supplies, rescue equipment and fire suppression equipment. The General Fund was increased by its share of the net income prior to depreciation and decreased by payments for the mortgage on the Summit Station. The Fire Prevention Fund was increased by blueprint and smoke detector inspection revenue and decreased by purchases of fire prevention supplies.

**Western Coventry Fire District
Management's Discussion and Analysis
February 28, 2017**

GENERAL FUND BUDGETARY HIGHLIGHTS

- Actual expenditures excluding rescue recovery expenditures and before depreciation and interest expense were \$6,669 under the final budget amounts.
- Fire tax revenue increased by \$17,879 from the previous year. The increase was due to the increase in the tax rate from \$1.62 per \$1,000 valuation to \$1.67 per \$1,000. Interest on delinquent taxes decreased by \$1,964 from the previous year.

CAPITAL ASSETS

The additions to capital assets were due to the purchase of rescue equipment.

	<u>Balance at Mar. 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at Feb. 28, 2017</u>
Capital assets, not being depreciated.				
Land	\$ 134,400	\$ -	\$ -	\$ 134,400
Total capital assets not being depreciated	134,400	-	-	134,400
Capital assets, being depreciated.				
Buildings and Improvements	2,167,735	-	-	2,167,735
Vehicles and Equipment	1,637,437	4,460	-	1,641,897
Total capital assets being depreciated.	3,805,172	4,460	-	3,809,632
Less accumulated depreciation	1,334,578	135,979	-	1,470,557
Total capital assets being depreciated, net	2,470,594	(131,519)	-	2,339,075
Capital assets, net	\$ <u>2,604,994</u>	\$ <u>(131,519)</u>	\$ -	\$ <u>2,473,475</u>

OUTSTANDING DEBT AT YEAR END

	<u>2017</u>	<u>2016</u>
Mortgage on Fire Station	\$ <u>1,131,888</u>	\$ <u>1,172,207</u>

**Western Coventry Fire District
Management's Discussion and Analysis
February 28, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The tax rate of the fiscal year 2016 - 2017 was \$1.67 per \$1,000 of valuation.
- Revenues budgeted for fiscal year 2017 - 2018 were \$756,320 with a tax rate of \$1.75 per \$1,000 of valuation (assuming there is no change in this valuation). The fiscal 2017 - 2018 budget includes \$110,000 in revenue from rescue recovery services. In previous years the rescue recovery service revenue was not included in the District budget.
- On April 3, 2017 District voters approved a resolution to convert the Rescue Recovery Fund balance into a newly formed Apparatus Capital Equipment Fund and to merge the operations of the Rescue Recovery Fund into the General Fund and to annually allocate an amount to the Apparatus Capital Equipment Fund in the annual operating budget. The Apparatus Capital Equipment Fund is to be used for the acquisition and outfitting of fire and rescue apparatus.

**WESTERN COVENTRY FIRE DISTRICT
STATEMENT OF NET POSITION
AND GOVERNMENTAL FUND BALANCE SHEET
FEBRUARY 28, 2017**

	GENERAL FUND	OTHER FUNDS	TOTAL	ADJUSTMENTS (Note A)	STATEMENT OF NET POSITION
ASSETS					
Cash and cash equivalents	\$ 383,956	\$ -	\$ 383,956	\$ -	\$ 383,956
Taxes receivable (net of allowance for uncollectible taxes of \$2,500)	239,851	-	239,851	-	239,851
Prepaid expenses	11,459	-	11,459	-	11,459
Internal receivable	-	344,518	344,518	(344,518)	-
Land	-	-	-	134,400	134,400
Other capital assets, net of accumulated depreciation	-	-	-	2,339,075	2,339,075
TOTAL ASSETS	\$ 635,266	\$ 344,518	\$ 979,784	\$ 2,128,957	\$ 3,108,741
LIABILITIES					
Accounts payable	\$ 12,654	\$ -	\$ 12,654	\$ -	\$ 12,654
Accrued interest payable	2,799	-	2,799	-	2,799
Accrued expenses	10,444	-	10,444	-	10,444
Wages and benefits payable	17,654	-	17,654	-	17,654
Internal payable	344,518	-	344,518	(344,518)	-
Firemen's fund	1,087	-	1,087	-	1,087
Long-term liabilities and leases:					
Due within one year	-	-	-	42,431	42,431
Due after one year	-	-	-	1,089,457	1,089,457
TOTAL LIABILITIES	389,156	-	389,156	787,370	1,176,526
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable - prepayments	11,459	-	11,459	(11,459)	-
Unassigned	234,651	-	234,651	(234,651)	-
Restricted, reported in:					
Fire prevention fund	-	2,426	2,426	(2,426)	-
Committed, reported in:					
Rescue services fund	-	342,092	342,092	(342,092)	-
Total fund balances	246,110	344,518	590,628	(590,628)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 635,266	\$ 344,518	\$ 979,784		
Net position:					
Invested in capital assets net of related debt				1,341,587	1,341,587
Unrestricted and restricted				590,628	590,628
Total net position				\$ 1,932,215	\$ 1,932,215

Notes: Amounts in the statement of net position differ because:

Note A - Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

General long-term debt is not reported in the government fund balances.

See accompanying notes to financial statements.

**WESTERN COVENTRY FIRE DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED FEBRUARY 28, 2017**

	GENERAL FUND	OTHER FUNDS	TOTAL	ADJUSTMENTS (Note B)	STATEMENT OF ACTIVITIES
Expenditures/expenses:					
Fire protection and rescue-operations	\$ 541,539	\$ -	\$ 541,539	\$ 135,979	\$ 677,518
Capital outlay	4,460	-	4,460	(4,460)	-
Debt service:					
Mortgage principal	40,319	-	40,319	(40,319)	-
Mortgage interest	54,650	-	54,650	-	54,650
Total expenditures/expenses	<u>640,968</u>	<u>-</u>	<u>640,968</u>	<u>91,200</u>	<u>732,168</u>
Program revenues:					
Blueprint, smoke detector inspections and 911	60	2,160	2,220	-	2,220
Charges for rescue recovery services	-	115,813	115,813	-	115,813
Total program revenues	<u>60</u>	<u>117,973</u>	<u>118,033</u>	<u>-</u>	<u>118,033</u>
Net program expense					<u>614,135</u>
General revenues:					
Fire taxes and interest	605,659	-	605,659	-	605,659
Investment income	1,749	-	1,749	-	1,749
Grants	2,000	-	2,000	-	2,000
Miscellaneous income	1,050	-	1,050	-	1,050
Transfers-internal activities-stopped here	30,177	(30,177)	-	-	-
Total general revenues and transfers	<u>640,635</u>	<u>(30,177)</u>	<u>610,458</u>	<u>-</u>	<u>610,458</u>
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	<u>(273)</u>	<u>87,796</u>	<u>87,523</u>	<u>(91,200)</u>	<u>(3,677)</u>
Change in net position	(273)	87,796	87,523	(91,200)	(3,677)
Fund balance/net position:					
Beginning of the year	246,383	256,722	503,105	1,432,787	1,935,892
End of the year	<u>\$ 246,110</u>	<u>\$ 344,518</u>	<u>\$ 590,628</u>	<u>\$ 1,250,387</u>	<u>\$ 1,932,215</u>

Notes: Amounts in the statement of revenues and expenditures and changes in fund balance differ because:

Note B - Depreciation is added to the expenses.	135,979
Capital outlays and loan proceeds and payments are deducted from revenue and expense	
Invested in capital assets beginning net of related debt	1,432,787
Invested in capital assets ending net of related debt	1,341,587

See accompanying notes to financial statements.

**Western Coventry Fire District
Notes to Financial Statements
February 28, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Western Coventry Fire District (the District) was incorporated by an act of the Rhode Island General Assembly in January of 1942. The District provides public safety services for fire control and prevention as well as emergency medical treatment.

The accounting policies of the Western Coventry Fire District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles. The following is a summary of the more significant accounting policies.

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of material interfund activity (except for activities reported in internal service funds) has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

1. The General Fund is the general operating fund of the District. All financial resources except those required to be accounted for in another fund, are accounted for in the General Fund.
2. The Rescue Services Fund represents the cumulative total of net rescue service fees less equipment acquisitions and is designated by action of the District voters to be used to acquire rescue equipment, rescue supplies and fire suppression equipment. The District purchased \$28,004 of rescue supplies and equipment during the year ended February 28, 2017.
3. The Fire Prevention Fund represents income related to blueprint and smoke detector inspections net of fire prevention expenses.

The activities reported in these funds are reported in the statement of activities and governmental fund revenues, expenditures and changes in fund balances. The net assets of these funds are held in the cash accounts of the general fund and are shown as internal receivables on the statement of net position and governmental fund balance sheet.

**Western Coventry Fire District
Notes to Financial Statements
February 28, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Basis of Accounting

The governmental funds financial statements are presented on the modified accrual basis of accounting. Fire tax revenue is recognized in the year in which levied. Rescue service charges are recorded when received. Expenditures are recorded when the related liability is incurred.

C. Budget and Budgetary Accounting

As set forth in the District's By-Laws the voters adopt a budget at the District's annual meeting. The annual budgeted revenues are based on the fiscal year tax assessment, which reflects the rate times the assessed valuation. Rescue recovery revenue is recorded when received. Certain non-operating income and expense items are not considered. This differs from the District's financial statements, which are prepared on the modified accrual method of accounting.

D. District Taxes

District taxes attach an enforceable lien on property and, if not paid when due, charge interest at a rate imposed by vote of the District. Currently the interest rate is 1 ½ % per month. Taxes are levied on or about September 1 and are due in quarterly installments. The quarterly installments are due on October 31, January 31, April 30 and July 31. District policy is to recognize fire tax revenue when levied. Unpaid taxes are recorded as taxes receivable at year-end.

An allowance for uncollectible taxes has been established for delinquent taxes which are deemed uncollectible by District management. The write off of delinquent taxes is subject to approval by the Board of Directors. The District is limited by the incorporation act to a tax rate not to exceed \$.80 per \$100 of assessed valuation of real estate and tangible personal property in the District as determined by the last valuation made by the Town of Coventry. The current tax rate is \$1.67 per \$1,000 for real estate and tangibles.

E. Financial Statement Amounts

Cash Equivalents

Cash equivalents include highly liquid investments with a maturity of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Capital Assets

Property, plant and equipment acquisitions of \$3,000 or more are capitalized at cost. The District uses the straight-line method at rates based on reasonable estimates of useful lives in computing depreciation.

Concentration of Credit Risk

The District collects taxes from property owners substantially all of whom are local residents of Coventry, Rhode Island.

**Western Coventry Fire District
Notes to Financial Statements
February 28, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

The District maintains a local bank savings account. The District does not have a formal policy regarding limits on allowable deposits and investments. Authorization for opening and closing accounts is subject to approval by the Board of Directors.

Program Revenue

The District's program revenue comprises charges for ambulatory and fire inspection services.

Committed Fund Balance

The District's voters have established the rescue recovery fund as a committed fund balance. Expenditures for equipment are generally restricted to the amounts approved by the voters at the District annual meeting. The Board can spend up to an additional 2% of the annual voter approved budget from the Rescue Recovery Fund without taxpayer approval. Any amount exceeding that would need voter approval. Subsequent to year end the voters approved a resolution to convert the rescue recovery fund into a newly formed apparatus capital equipment fund.

Restricted Fund Balance

As required by the State of Rhode Island, the District maintains restricted funds in a fire prevention fund.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Districts policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Districts policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of February 28, 2017 consist of the following:

	<u>2017</u>
Cash - Checking Account	\$ 14,767
Cash - Tax Collector Account	106
Cash - Savings Account	369,053
Petty Cash	<u>30</u>
	<u>\$ 383,956</u>

**Western Coventry Fire District
Notes to Financial Statements
February 28, 2017**

NOTE 3: CHANGES IN CAPITAL ASSETS

Land and other Capital Assets

The additions to capital assets were due to the purchase of rescue equipment.

The following is a summary of the changes in the Land and other Capital Assets account group.

	<u>Balance at Mar. 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at Feb. 28, 2017</u>
Capital assets, not being depreciated.				
Land	\$ <u>134,400</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>134,400</u>
Total capital assets not being depreciated	134,400	-	-	134,400
Capital assets, being depreciated.				
Buildings and Improv.	2,167,735	-	-	2,167,735
Vehicles and Equip.	<u>1,637,437</u>	<u>4,460</u>	<u>-</u>	<u>1,641,897</u>
Total capital assets being depreciated.	<u>3,805,172</u>	<u>4,460</u>	<u>-</u>	<u>3,809,632</u>
Less accumulated depreciation	<u>1,334,578</u>	<u>135,979</u>	<u>-</u>	<u>1,470,557</u>
Total capital assets being depreciated, net	<u>2,470,594</u>	<u>(135,979)</u>	<u>-</u>	<u>2,339,075</u>
Capital assets, net	<u>\$ 2,604,994</u>	<u>\$ (135,979)</u>	<u>\$ -</u>	<u>\$ 2,473,475</u>

Depreciation expense for the year was \$135,979.

NOTE 4: INCOME TAX STATUS

The Western Coventry Fire District was created and incorporated by an act of the Rhode Island General Assembly in January of 1942, which states that the District is exempt from all taxation. In addition, the District qualifies as a tax-exempt, nonprofit organization under the provisions of Section 501(C)(1) of the Internal Revenue Code. Accordingly, no provision for federal and state income tax is required under present income tax law.

NOTE 5: MORTGAGE

On July 9, 2009, the District entered into a loan agreement with Centreville Savings Bank for the construction of a new fire station. The note is a 30 year adjustable rate commercial real estate mortgage

**Western Coventry Fire Department
Notes to Financial Statements
February 28, 2017**

NOTE 5: MORTGAGE - CONTINUED

on property located at Pole 79, Victory Highway, Coventry, RI. The note bears interest at 4.75% for fifteen years at which time it may be adjusted by adding 2.75% to an index with the increase not to exceed four percentage points for a total of 8.75%. The index is the weekly average yield on United States Treasury securities adjusted to a constant maturity of five years. Commencing November 9, 2009, the District began making monthly payments of \$7,939 on the permanent loan which includes principal and interest. During July of 2010 the District used \$130,000 of the proceeds from the sale of the old Summit Station to reduce the principal balance of the mortgage. As a result, the loan will be paid in full by 2035. Interest expense on the mortgage was \$54,650 for the year ended February 28, 2017. Principal payments were \$40,319 for the year.

		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2018	\$	42,431	\$	52,837	\$	95,268
2019		44,491		50,777		95,268
2020		46,651		48,617		95,268
2021		48,916		46,352		95,268
2022		51,291		43,977		95,268
2023-2027		296,311		180,029		476,340
2028-2032		375,823		100,517		476,340
2033-2035		<u>225,974</u>		<u>14,252</u>		<u>240,226</u>
	\$	<u>1,131,888</u>	\$	<u>537,358</u>	\$	<u>1,669,246</u>

NOTE 6: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year.

NOTE 7: SERVICE AGREEMENT

On February 22, 2010, the District entered into a service agreement with an unrelated third party to collect rescue recovery revenues on their behalf. The agreement runs for three years and automatically renews for additional three year terms. A 6% service fee is charged on revenues collected. Rescue recovery revenues of \$115,813 are shown net of \$7,392 of service fee expense on the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances for the year ending February 28, 2017.

**Western Coventry Fire District
Notes to Financial Statements
February 28, 2017**

NOTE 8: COMPENSATED ABSENCES

The District accrues accumulated unpaid vacation and sick leave and associated employee related costs when earned. These amounts have been recorded as benefits payable on the statement of net position.

NOTE 9: CONCENTRATIONS

The District maintains cash balances at a financial institution located in Rhode Island. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The District held \$138,368 in uninsured cash in these accounts as of February 28, 2017. Subsequent to year end the District has covered all cash accounts with FDIC insurance by use of the Certificate of Deposit Account Registry Service (CDARS).

NOTE 10: SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the independent auditor's report, which is the date the District's financial statements were available for issuance.

**WESTERN COVENTRY FIRE DISTRICT
BUDGETARY COMPARISON SCHEDULE
FEBRUARY 28, 2017**

REVENUES	ACTUAL	BUDGET	VARIANCE POSITIVE (NEGATIVE)	OTHER ACTIVITY
Fire taxes	\$ 589,746	\$ 585,508	\$ 4,238	\$ -
Interest on delinquent taxes	15,913	16,500	(587)	-
Interest income	1,749	1,000	749	-
Brush fire cost re-imbursements	597	-	-	-
Smoke detector inspections	-	-	-	1,560
Blueprint inspections	-	-	-	600
Grants	2,000	-	2,000	-
Miscellaneous income	453	150	303	-
911 sign program	60	100	(40)	-
Surplus applied	571	14,500	(13,929)	-
Charges for Rescue Recovery Services	-	-	-	115,813
TOTAL REVENUES	\$ 611,089	\$ 617,758	\$ (7,266)	\$ 117,973
EXPENDITURES				
Operating Expenditures				
Salaries and benefits	\$ 336,310	\$ 360,023	\$ 23,713	\$ -
Training and administration	7,486	7,484	(2)	-
Insurance	45,739	48,030	2,291	-
Legal and professional	19,756	19,975	219	-
Truck and equipment maintenance	53,421	38,982	(14,439)	-
Building utilities and maintenance	34,207	34,434	227	-
Office supplies	5,736	3,780	(1,956)	-
Gear and equipment	6,296	2,548	(3,748)	-
Gear and equipment from Rescue Recovery	-	-	-	23,544
Telephone	3,955	4,134	179	-
Fire prevention	-	-	-	2,173
911 sign program	51	100	49	-
Miscellaneous	364	500	136	-
Total Operating Expenses	513,321	519,990	6,669	25,717
Capital Expenditures				
New station mortgage	95,268	95,268	-	-
Fire alarm capital fund	2,500	2,500	-	-
Rescue equipment from Rescue Recovery	-	-	-	4,460
Total Capital Expenditures	97,768	97,768	-	4,460
TOTAL EXPENDITURES	\$ 611,089	\$ 617,758	\$ 6,669	\$ 30,177

See accompanying note to budgetary comparison schedule.

**WESTERN COVENTRY FIRE DISTRICT
SCHEDULE OF UNCOLLECTED TAXES
FEBRUARY 28, 2017**

Year	<u>Beginning Balance</u>	<u>Levy</u>	<u>Additions</u>	<u>Abatements and Adjustments</u>	<u>Amount to be Collected</u>	<u>Current Year Collections</u>	<u>Ending Balance</u>
2016	\$ -	\$ 588,591	\$ 2,384	\$ (401)	\$ 590,574	\$ 383,355	\$ 207,219
2016 tax sale costs	-	-	1,660	-	1,660	80	1,580
2015	206,153	-	-	704	206,857	179,658	27,199
2014 and prior	<u>13,214</u>	<u>-</u>	<u>-</u>	<u>(22)</u>	<u>13,192</u>	<u>6,839</u>	<u>6,353</u>
	<u>\$ 219,367</u>	<u>\$ 588,591</u>	<u>\$ 4,044</u>	<u>\$ 281</u>	<u>\$ 812,283</u>	<u>\$ 569,932</u>	<u>242,351</u>
						Allowance for uncollectible taxes	<u>(2,500)</u>
						Net taxes receivable	<u>\$ 239,851</u>

Note that the 3rd and 4th quarter tax payments for the 2016 tax assessment are due on April 30 2017 and July 31 2017

See accountants' report.